

Warm-up

ACTIVITY 2.5 PROS AND CONS OF DEDUCTIONS

Work in pairs for this activity. If all workers received their gross pay without any deductions, what might the consequences be?

Construct a table that shows the pros and cons of contributing to the Canada Pension Plan and Employment Insurance and paying federal and provincial/territorial taxes.

CONTRIBUTING TO CPP, TAXES, AND EI

Pros

- the taxes you pay go towards building infrastructure such as roads and schools
- contributions to CPP go towards your retirement
- dependants such as family members may benefit from your contributions
- financial assistance if you become unemployed

Cons

- some of your tax money may go to support programs you don't agree with
- you can't invest your money where you want
- you receive less of your money on each paycheck

Review of CPP and EI

Calculate the EI and CPP for the following pay periods.

Julie earns a gross semi-monthly pay of \$3021.00.

Madison earns a gross weekly pay of \$632.

Determining Federal and Provincial Tax Deductions

Tax deductions are calculated on "Taxable Gross Income".

Some benefit deductions, such as Union Dues, and Pension contributions, and RRSP contributions are not counted towards taxable income.

Therefore they need to be subtracted from your gross pay before determining Federal and Provincial tax deductions.

Once you have calculated your "Taxable Gross Income" you can look up your tax deductions based on Claim Code. Your claim code is determined by the TD1 form you fill out when you are hired on to a new job.

You also need to your province and pay period.

Example 1: Net Pay Worksheet

Pierre earns \$3461.54 a month, paid semi-monthly. Fill in the pay statement for October 1-15. His deductions are: \$23.50 in union dues, and \$114.45 in pension. Determine his taxable income and look up his Federal and Provincial tax deductions using Claim Code 1. Calculate his EI and CPP deductions and fill in all info on the pay statement.

Employee Name:			Pay Begin Date:		Net Pay:	
Company:			Pay End Date:		Cheque Date:	

General			Taxes Data	
Employee ID:		Job Title:	Description	Federal
Address:		Pay Rate:	Claim Code	
		Annual:		

Hours and Earnings			Before Tax Deductions		Government Deductions	
		Current	Description	Amount	Description	Amount
Description	Rate	Gross Earnings			Federal	
					Provincial	
					CPP	
					EI	
			Total		Total	

Paycheque Summary				
Gross Earnings	Taxable Gross	Total Taxes, CPP & EI	Total Deductions	Net Pay

To Do:

Complete Net Pay Worksheet.